UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
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Director, Division of Information and Records

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TO FARM JOURNAL EDITORS:

The following information has been prepared for your use.

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Note: The following story was written on the special request of a cornbelt editor. It is now being made available, exclusive to the farm paper field.

We will be glad to furnish similar stories on special request, for exclusive use, whenever possible.

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A Corn Farmer Looks South

> The two great agricultural regions, the South and the Midwest, are not only similarly staunch pillars upon which the national agricultural structure rests alike, but the two regions are markedly interdependent each upon the other. Secretary Wallace has remarked how income from the main products of one region affects income from the main products of the other. "There is," the Secretary has said, "a very direct relation between the price the Iowa producer of pork gets for fatbacks, and the level of income from cotton in the South. We happen to have enough information to know for sure that income from cotton is what determines the price of fatbacks."

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Simultaneously with the corn-hog production control campaign now in full swing in Iowa and other corn belt states a similar program for control of production of another basic agricultural commodity is under way in the cotton belt. The 1934 cotton production control plan and the corn-hog program are giant twins.

A comparison of these two major efforts now being undertaken by the Adjustment Administration finds them similarly serving not only each its own great section of the national agricultural community but serving each other as well. And finally both are working together in the common cause of national agricultural restoration.

Corn belt farmers are by this time, of course, familiar with the corn-hog production control program. They may ask, "Just what is our southern neighbor being asked to do in the way of production control? Is his program about the same as ours?" A reasonable question.

In skeleton, the cotton production control program in the South parallels rather closely the program for the control of corn in the Midwest, with the hog factor eliminated of course. Corn belt farmers will recognize in a study of the cotton plan substantially the same plan for the same end.

Basically, the cotton program provides for a reduction in cotton acreage to be planted in 1934 and 1935. It provides benefit payments to cooperating farmers in return for their making such reduction in acreage. The money to make these payments to farmers comes from a processing tax on cotton. The local administering of the program rests with the county control associations, with the cooperation and assistance of the extension service and county agents. The land contracted to be taken out of cotton production may not be used for the production of any other product for sale.

Some of the details, of course, differ from the corn program. Under the terms of the cotton contract the farmer agrees to reduce his 1934 acreage by not less than 35 percent nor more than 45 percent below his base acreage. His base acreage is, roughly, the five-year period from 1928 to 1932, inclusive. He also agrees that, if required by the Secretary later, he will reduce his 1935 acreage by as much as 25 percent below his base average.

For these acres taken out of cotton production the grower is paid a rental at the rate of 3½ cents per pound of cotton for the average production of the land during the base period, with a maximum of $18 per acre. That is, a man who grew an average of 100 acres of cotton during his base period will take 40 acres (or anywhere from 35 to 45) out of production. If this land had been producing 200 pounds of cotton per acre during the base period the grower is paid $7 an acre rental for 1934, or $280 for the 40 acres. He is paid the first half of this amount this spring and the remainder, after local expenses are taken out, next August or September after the government is sure that the required reduction has been made as agreed.

In addition to this rental payment the grower gets another payment called his "parity payment." This will be not less than 1 cent per pound on the grower's "farm allotment," and this is defined in the contract as 40 percent of his average cotton production during the base period. This 40 percent represents the domestically consumed portion of the grower's crop. For example, in the case of the farmer just mentioned, 40 percent of the cotton grown on the 100 acres, at 200 pounds per acre per year, the "farm allotment" is 8,000 pounds. This 8,000 pounds is that portion of his crop which is consumed in the United States and on which he is guaranteed parity price. This means a minimum of $80, which will be paid in December, and if the parity payment is larger than one cent per pound it will be correspondingly larger.

Land contracted to be taken out of production must be of average productivity. The grower may not increase the acreage of other basic commodities above that planted during 1932 or 1933. This provision also includes livestock or their products, as designated in the Act. The farmer may grow erosion-preventing or soil-improving crops on the contracted acres, but he can not grow any crop on these contracted acres for sale, directly or indirectly.

Cully A. Cobb, chief of the cotton section, Agricultural Adjustment Administration, has repeatedly pointed out that with an increased cotton prosperity in the South the southern cotton farmer will be quite content to leave commercial hog-raising to his northern neighbors in the corn belt. If a reduction of cotton acreage for the next few years will bring a fuller measure of prosperity to Dixie, the corn belt will have just that much less competition in the production of pork and that many more buyers of the pork produced in the corn belt. Mr. Cobb also pointed out that the cotton reduction program has resulted in material reduction of cottonseed products which compete with products of the corn belt. For example, the cottonseed oil in the 4,400,000 bales of cotton that were prevented from maturing as a result of the plowup campaign of last summer would have amounted to over 612 million pounds. This is equivalent to the lard from approximately 20 million 200-pound corn-fed hogs. The cottonseed meal produced from the seed plowed under would have amounted to 1,954,000 tons, and on a pound-for-pound basis is equivalent to over 31 million bushels of corn.

Comparisons and studies of the two great efforts at production control that are now under way indicate that both are fundamental parts of the Adjustment program under the Act which has for its stated purpose " to relieve the existing national economic emergency by increasing agricultural purchasing power-----."

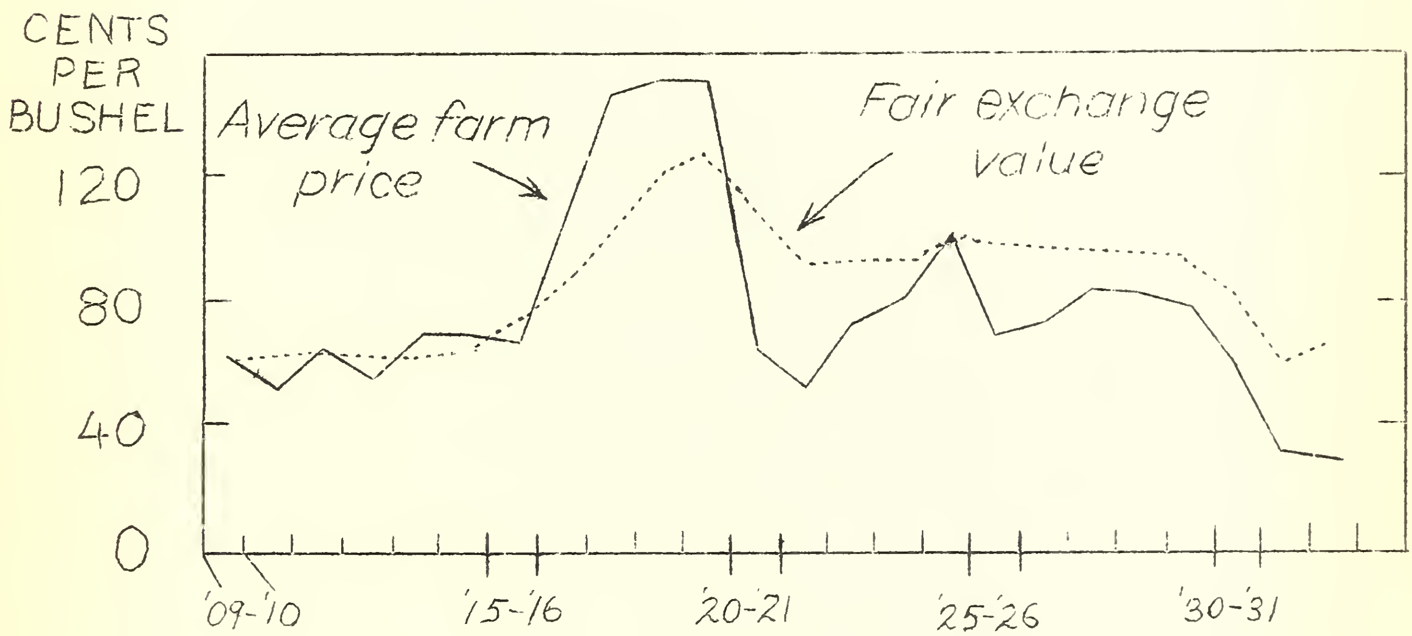
Out of Balance

A bushel of corn during the base period 1910-14 would buy and pay for a certain amount of goods that farmers buy. That period was not the best period farmers ever enjoyed as far as the balance of prices goes, nor was it the worst. It was the period when a farmer could enjoy a decent living on the farm and gradually manage to pay for his farm. During this period, 1910-14, farm prices are said to have been at "parity"; that is, farmers' products would pay for a certain equitable amount of manufactured goods bought.

During the years 1915-16 the average farm price of corn rose higher proportionately than did the prices of things the farmer had to buy and for four years then the average farm price of corn was above its fair exchange value. It was slightly above the fair exchange value again during the one year 1924-25.

But since the base period 1910-14 the average farm price of corn has been below its fair exchange value during twelve years, and above its fair exchange value during only five years. It has been far below its fair exchange value during the past eight years, as the accompanying chart shows.

CORN: AVERAGE FARM PRICE AND FAIR
EXCHANGE VALUE, 1909-10 TO DATE.



The fair exchange value of corn is arrived at by multiplying the average price of corn from August,1909 to July 1914 by the index of prices paid by farmers for commodities they buy. Thus this chart shows the difference between what the farm price of corn was in each year with what it should have been if a bushel of corn were to buy as many commodities as during the base period 1910-14.

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(Note to editors: We will be glad to furnish these charts if you wish them.)

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For Eight Years

Prices of cotton and cottonseed have been much lower relatively than have the prices of commodities farmers buy for several years, as the chart on the next page shows. In 1932 prices of cotton and cottonseed averaged less than half of the 1910-14 average while commodities farmers buy averaged 7 percent above the 1910-14 average. This maladjustment was reduced during the first half of 1933.

The chart on the next page indicates how far from "parity" prices have strayed since the base period 1910-14.

Beef Cattle Problem
Is the Country's Problem

"Should beef cattle be included in the Act as a basic commodity, our procedure will be to work out with cattlemen a practical approach to the problem, and then bring this before the country for thorough discussion. Unless the program is one that cattlemen will support, it will not be put into effect. It never has been, and will not now be, our policy to develop a program at Washington and impose it upon the country," --Chester Davis.--

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Outsiders Want to Come In

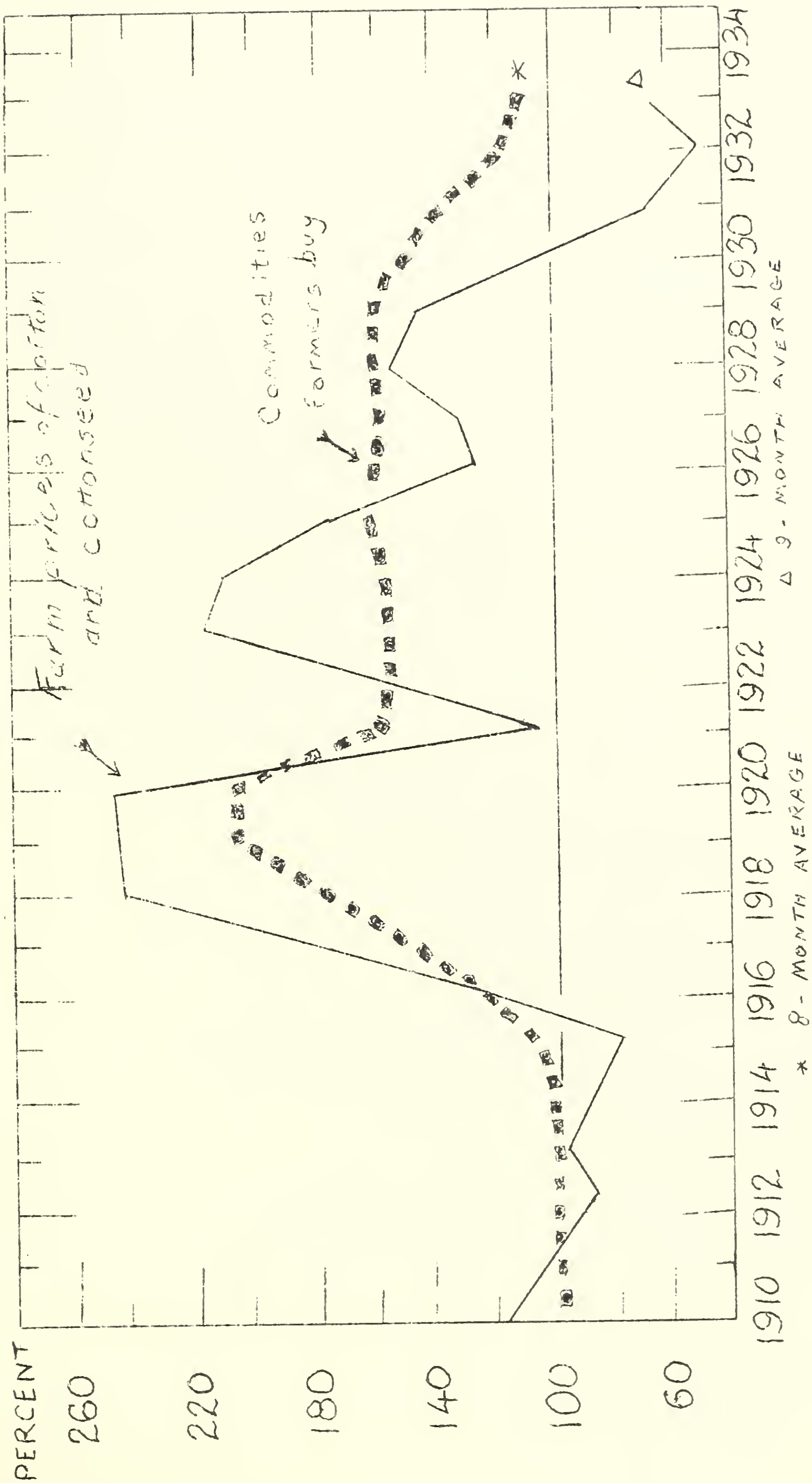
Farmers who did not apply for wheat allotment contracts before the campaign closed are now asking the Adjustment Administration to give them another opportunity to cooperate in the wheat control program. These requests come in the most part from farmers in the corn belt and Eastern states, and from those who did not fully understand the plan's advantages, those who could not get their applications signed by their landlords, and those who did not have supporting evidence to show that they could qualify for a satisfactory allotment.

It is probable that an increasing realization by the growers of the advantages the wheat control plan had to offer, as well as the risks of reduced income involved in staying out, has had much to do with their requests that the door be re-opened and another opportunity be given them to cooperate in the plan.

These requests are being considered by the Agricultural Adjustment Administration in connection with its announced intention to conform to the terms of the international wheat agreement, which requires that exporting nations reduce their seeded acreage by 15 percent.

Secretary Wallace has pointed out that if a large crop next year would operate to restore the normal relationship between American and Liverpool wheat prices, wheat farmers in this country would have to look

Cotton and Cottonseed Prices and Prices of Commodities Farmers Buy, 1910-1933



to their benefit payments for a larger share of their income. Under such conditions the farmer who had not signed a wheat contract would be at a disadvantage, because his returns from his wheat crop would depend entirely upon the market price for wheat, and a price in normal relationship to the Liverpool price. The cooperating farmer, of course, would get this lower market price as well, but in addition he would receive whatever supplemental adjustment payment might be necessary to bring his return up to parity on his domestically consumed portion.

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(Note: We have prepared the following at the request of several corn belt editors.)

Facing Corn-Hog Facts

Recently a corn belt farmer said to me that distilleries and a corn products factory in his state were buying 165 carloads of shelled corn a day, trucking it in from the surrounding locality. He wondered whether these uses of corn and the fact that last year's crop was very small wouldn't make it unnecessary to reduce the corn acreage this year.

Considerable corn will go into distilleries and corn products factories, but these two outlets together, even if expanded to their economic maximum, would absorb only a small proportion of the crop. At present, industrial and city uses of corn take about 12 percent of the average crop, while 42 percent is fed to hogs. Beef cattle and sheep consume 20 percent, and horses and mules 14 percent. The remaining 12 percent is consumed on farms, chiefly by poultry and as silage by dairy cattle.

Some increase in the industrial use of corn is to be expected and hoped for, but it will be slow, and can never make much of a dent in the total supply if we should go on producing over a hundred million acres of corn a year.

Our 125 million people use no more corn today than 79 million used 30 years ago. We can't eat, drink, or otherwise use enough more corn and its products than we are or have been consuming to make it profitable for farmers to keep the corn acreage up to anywhere near what it has averaged for years.

It is unlikely that our exports of pork and lard will increase much for some time to come. European countries that used to buy these products from us on a large scale have in recent years cut down their purchases until they are the smallest in 50 years. From 1923 to 1932 we lost a foreign outlet for pork products equivalent to about 9 million hogs. Foreign trade will continue to be vitally important to our agriculture, and we are not overlooking opportunities of obtaining and cultivating it, but the prospects for recovering as much of it as we have lost during the depression are not encouraging.

What all this boils down to is that our corn acreage is far out of line with a changed domestic and foreign market situation. It yields much more corn than growers can get fair exchange value for when they sell or feed it. An excessive corn acreage very logically produces excessive stocks of pork and lard, and these keep hogs below their fair exchange value.

During the war years we increased our acreage of 13 important crops by about 31 million acres. That acreage has since been increased and maintained at a still higher level. Our corn acreage climbed from about 105 million acres in 1914 to more than 116 millions in 1917, and to nearly 108 millions in 1932.

Secretary of Agriculture Wallace says that the fundamental purpose of the Agricultural Adjustment Act is to make it possible for farm products to have fair exchange value for city products. Three 100-pound hogs in 1914 would buy or exchange for a barrel of flour, a chair, a walking plow and a pair of shoes. In the first eight months of 1933 it would have required 8 hogs weighing 100 pounds each to buy the same things.

Fair exchange value for farm products is defined as the value realized by farmers in the five-year pre-war period 1909 to 1914. Under the production adjustment programs begun last year, fair exchange value can be brought about and maintained by farmers themselves. It is clear that the first step to that end is the reduction of surplus crop acreages and production control by farmers. As farm commodity prices are closely tied up with one another in competitive ways, the farm problem must eventually be dealt with simultaneously on a national basis, all important farm products being included. Consequently, cooperation among producers and regions is essential to the effective operation of all the agricultural adjustment programs.

Until this act was passed, farmers were unable to adjust their aggregate acreage and output in line with a reduced domestic and foreign demand. They were in costly and enforced competition with one another in their own neighborhoods and elsewhere throughout the country. If ten neighbors, for example, had reduced their corn acreage, the effect of the reduction would have been offset by increased corn production in another locality. Farmers had no way whereby they could work together under a national plan.

For the first time in our history, producers of corn and hogs have a fair chance effectively to work together on a national scale in reducing and controlling the production of these basic commodities. The demand for them not only has been greatly abridged by our loss of pork and lard exports and by a weakened purchasing power at home, but it is more changeful than it has ever been before.

Active competition among food products is a fact to ponder. This competition is due to consumer economies, to advertising, to the publicizing of modern information about human nutrition, to changed food habits in cities and to the fact that farmers themselves now buy a large proportion of their food.

Agriculture is our only great industry in which there has been no development of centralized production control policies. Under the national corn-hog plan, production control, based on known supply and demand facts, will enable producers of these commodities to make effective use of the key principle employed by the big industries. This is production control. Action in these industries is concentrated in a few hands. So effective is their power that they virtually control the prices of industrial products that farmers buy.

From February, 1929 to February, 1933, the quantity of processed farm products fell only 15 percent, while that of processed non-agricultural products declined nearly 65 percent. This worked a hardship on farmers by reducing the output of industrial products available to exchange for farm products.

What is sauce for the gander ought to be sauce for the goose that lays the eggs. The big industries control production by laying off workers. That is identical in principle with reducing the acreage of surplus crops. In that way they largely control the prices of their products. If they should over-produce, in spite of a reduced demand and a lowered buying power among consumers, they would have to take what they could get for their products in a glutted market. They would be doing what farmers do who over-produce corn and hogs.

The big industries are in a position to adjust their output to a demand that will take their products at their own prices. Producers of corn and hogs can do the same thing by acting together under the national corn-hog production adjustment plan. This is like fighting the devil with fire. It is an enforced, temporary strategy called for by the existing topsy turvy economic situation, which is particularly unfair to agriculture.

The details of the corn-hog plan are being fully explained to all interested farmers by agricultural agents and local corn-hog committeemen. They will answer questions. Don't send questions to Washington.

The benefit payments to producers who sign the contracts are substantial on both corn and hogs. They may total as much as $350,000,000. What is much more important than these payments, however, is the economic power which producers under the plan can achieve and use in controlling production and in obtaining fair exchange value for their commodities. No eligible corn-hog producer who will do a little figuring can figure himself out of the plan.